

## **COMPETITIVE SOURCING NEWSLETTER**

### **JULY 2002**

#### **COMMERCIAL ACTIVITIES PANEL REPORT**

The Commercial Activities Panel (CAP) was formed as the result of the National Defense Authorization Act of 2001 requirement that the Comptroller General of the United States convene a panel of experts to study the policies and procedures governing competitive sourcing/A-76. The Panel, consisting of representatives from agencies, federal labor unions, and private industry as well as experts in competitive sourcing, held 11 meetings beginning in May 2001. Three public forums were held in San Antonio, TX, Indianapolis, IN, and Washington, DC. The Panel heard from public, private, and union experts about the current process, as well as alternative processes. After a year of meetings and discussions, the Panel issued its report on April 30, 2002.

Based on public input, review of previous studies, and other related materials, the CAP unanimously adopted 10 guiding principles they believe should guide future sourcing policy for the federal government. The principles taken as a whole package are as follows:

1. Support agency missions, goals, and objectives.
2. Be consistent with human capital practices designed to attract, motivate, retain, and reward high-performing federal workers.
3. Recognize that inherently governmental and certain other functions should be performed by federal employees.
4. Create incentives and processes to foster high-performing, efficient, and effective organizations throughout the federal government.
5. Be based on a clear, transparent, and consistently applied process.
6. Avoid arbitrary full-time equivalent (FTE) or other arbitrary goals.
7. Establish a process that, for activities that may be performed by either the public or the private sector, would permit public and private sources to participate in competitions for work currently performed in-house, work currently contracted to the private sector, and new work.
8. Ensure that, when competitions are held, they are conducted as fairly, effectively, and efficiently as possible.
9. Ensure that competitions involve a process that considers both quality and cost factors.
10. Provide for accountability in connection with all sourcing decisions.

The Panel used these principles to assess the government's existing sourcing system and concluded that there are some advantages to the current system:

1. A-76 Cost Comparisons are conducted under an established set of rules to ensure that decisions are based on uniform, transparent, and consistent criteria.

2. The A-76 process has enabled federal managers to make cost comparisons between the public and the private sectors that have vastly different approaches to cost accounting.
3. The current A-76 process has been used to achieve significant savings and efficiencies for the Government regardless of who wins the competitions.

However, the CAP heard frequent criticism of the A-76 process as being slow, too complicated, unfair to either or both parties, and causing needless distress to federal workers. The CAP viewed the most serious concern with the A-76 process as being primarily based on cost. The A-76 process, as currently designed, compares direct costs and does not work well when determining the best provider in terms of quality, innovation, flexibility, and reliability. It ignores the other long-term benefits to the function in addition to costs. The CAP concluded that the A-76 process, as it is structured today, is not consistent with the ten guiding principles they adopted.

The CAP believes that in order to provide a more level playing field on which to conduct public-private competitions the Government needs to shift to a Federal Acquisition Regulation (FAR)-type process. The CAP recommended the following:

1. **Adopt Federal Sourcing Principles and Policies.** All sourcing decisions should be guided by the ten sourcing principles listed above.
2. **Develop a FAR-Type Process.** Conduct all competitions under a FAR framework while using appropriate elements of the current A-76 process. The FAR has a “common language” that is familiar to all participants. It has well-known rules that are fair and transparent, and provides for accountability. Both the public and private sectors view the FAR as fair.
3. **Incorporate Limited Changes to the Office of Management and Budget (OMB) Circular A-76.** Make limited changes to the Circular to strengthen the conflict of interest rules, improve auditing and cost accounting, and provide for binding performance agreements.
4. **High-Performing Organizations (HPOs).** Promote High-Performing Organizations and continuous improvement throughout the federal government, independent of competitions. HPOs would be exempt from competitive sourcing for a designated period.

These are only recommendations. Actual policy changes must come from OMB and Congress. OMB is in the process of rewriting the Circular to incorporate the recommendations that they feel are consistent with the President’s Management Agenda. However, statutory provisions applying only to DOD agencies may require repeal and amendment before the new process can be used effectively in DOD. The CAP recommended that any legislation needed to accommodate the integrated process in DOD be enacted as soon as possible. For now, we should see only minor changes to the Air Force’s Competitive Sourcing/A-76 Program. The entire CAP report can be found at <http://www.gao.gov>.

## ASSISTANCE

For help in planning your Cost Comparison, Direct Conversion, or Reengineering efforts call the HQ AFCESA Competitive Sourcing Help Desk at DSN 523-4970 or e-mail: [cshelpdesk@tyndall.af.mil](mailto:cshelpdesk@tyndall.af.mil).

The Competitive Sourcing Help Desk consists of three full-time professionals with extensive experience in the competitive sourcing/cost comparison process: an engineer, a contracting specialist, and a manpower expert. They operate from AFCESA to provide Competitive Sourcing and Reengineering support services including, but not limited to, the following:

- Answering competitive sourcing/cost comparison/reengineering related questions.
- Providing technical advice to Cost Comparison CE Steering Committee members.
- Assisting in developing acquisition strategies.
- Providing guidance on new acquisition procedures.
- Reviewing statements of work, quality assurance plans, and management plans.
- Maintaining a repository of lessons learned from CE activities.
- Providing assistance on reengineering/manpower standards development efforts.